

EQUIPMENT AND FACILITY RELATED COSTS

I. PREFACE

A. Purpose and Content

The primary purpose of USPS-FY16-8 is to provide inputs to determine the volume variable equipment and facility-related costs by subclass for the CRA. USPS-FY16-8 also provides inputs for the calculation of cost pool and operations specific piggyback factors in USPS-FY16-25.

The CRA equipment-related costs are equipment depreciation (component 20.1), interest expense (component 20.5), maintenance labor (component 11.2), and parts & supplies (component 16.3.2). USPS-FY16-8 provides these costs by 26 cost pools defined by equipment type, using data from Postal Service accounting and engineering records. For each cost pool, costs are related to subclass through distribution keys indicated for each pool. Inputs are also provided to the CRA to calculate the distribution key to apportion costs for Intelligent Mail Devices (IMDs) Scanners.

Depreciation for Mobile Delivery Devices (MDDs), a new category last fiscal year, grew significantly with the completion of deployment. Small Package Sorting System (SPSS) costs, which were added to the APBS/APPS category last fiscal year, have also continued to grow with additional deployments. In addition, the Package Remote Encoding System (PRES) costs were added to the APBS/APPS category this fiscal year. PRES is a modification to package sorting equipment to enable encoding of packages to delivery point (using image processing technology as applied to letters and flats).

A modification was made in the calculation of the Overhead Factor, used in calculating maintenance labor costs (component 11.2), to account for an extra pay period included in the FY2016 National Payroll Hours Summary Report. FY2016 had 27 pay periods, rather than the usual 26 pay periods. The Overhead Factor is used to ratio up the “direct” maintenance labor costs to reflect:

1. Break/Wash-up time, 2. Maintenance Supervision, and 3. Administrative Support Costs. To account for the last two of those items, the FY2015 Overhead Factor included the simple ratio of cost component 11.2 costs (from the Trial Balance) divided by Non-Supervisor Maintenance Labor (from the National Payroll Hours Summary Report) as shown in spreadsheet FY15equip.xls, tab PAGE II-3. The difference between this numerator and denominator, in most years, reflects just two items: Maintenance Supervision cost and Administrative Support cost. The problem with this ratio for FY2016 is the inconsistent time periods between the Trial Balance and National Payroll Hours Summary Report for FY2016. This simple ratio is replaced, as shown in FY16equip.xls, tab PAGE II-3, with the product of two separate ratios – one ratio to reflect Supervisory Costs (with data from the National Payroll Hours Summary Report) and the

second ratio to reflect the Administrative Support costs (with data from the Trial Balance). The use of separate ratios avoids the problem of inconsistent time periods between the two data sources. This adjustment keeps the ratio consistent with previous years, with the FY2016 ratio of 1.2625 essentially unchanged from the FY2015 ratio of 1.2631. Computing the Overhead Factor for FY2016 without the modification would lead to a factor of 1.2266, which would lead to approximately a 3 percent understatement of attributable maintenance costs.

The CRA facility-related costs are for space provision and space support. The space provision costs are rents (component 15.1), depreciation (component 20.3) and interest (component 20.5). The space support costs are fuel and utilities (component 15.2), custodial services labor (component 11.1), contract cleaners (component 11.1.2), building equipment maintenance labor (component 11.3), custodial supplies and services (component 16.3.1) and building security (component 18.1.2). These costs are divided into cost pools (or by activity) based on the FY 2016 estimates of square feet and rents by operation. These estimates are based on the FY1999 facility survey, updated using information on equipment deployments and other operational changes since FY1999. The facility space for the recently deployed SPSS have been included in the APBS/APPS categories at plants and NDCs . USPS-FY16-8 also provides a description of the variabilities and distribution keys for these cost pools.

B. Predecessor Document

Docket No. R2006-1, USPS-LR-L-54 and Docket ACR, FY 2015, USPS-FY15-8.

C. Corresponding Non-Public Document

There is no corresponding non-public document.

D. Methodology

USPS-FY16-8 uses the same facility space costing methodology as USPS-FY15-8 from Docket No. ACR2015.

USPS-FY16-8 uses the same equipment cost methodology as USPS-FY15-8 from Docket No ACR2015.

E. Input/Output

FY 2016 facility-related cost factors use FY 2005 square feet and rents by operation from Docket No. R2006-1, USPS LR-L-54, page I-17, and also incorporate two additional facility space categories contained in the FY 2006 CRA (see Periodic Reports/Data Reports, filed July 27, 2007). The FY 2005 square feet and rents by operation are from the FY 2004 facility space and rents

by operation from Docket No. R2005-1, USPS LR-K-54, part I, and additional facility space data are from the “Facility Space Usage Study”, USPS LR-K-62. Rental rates per sq. ft. are based on USPS LR-G-120 in Docket No R94-1, Facility Cost Development Update, December 1993. Rental rates are escalated using Global Insight, Rent Residential index. Total facility space is adjusted for annual growth/reductions using data from Facilities. Data on MODS work hours are from USPS-FY16-7, Cost Segment 3 Cost Pools and Other Information, part I. Engineering provided equipment deployment data. Information on Caller Service storage space is from USPS-FY08-28, Caller Service2008.xls.

FY 2016 equipment-related costs are based on maintenance labor and parts and supplies costs by equipment category from the Maintenance Activity Reporting and Scheduling (MARS) system. Depreciation costs by equipment category are based on equipment accounting records. Trial Balance costs are obtained from USPS-FY16-5. The distribution key for PASS/DSS is obtained from USPS-FY16-NP25.

USPS-FY16-8 provides the following inputs for the CRA Model (Nonpublic Version), USPS-FY16-NP13 and CRA Model (Public Version), USPS-FY16-31. Facility space factors are contained in FCILTY16.XLS, sheets “Outputs to PRC CRA” and “POBox-Caller Service Split.” The equipment factors are contained in FY16equip.XLS, sheet “Output to CRA.” FY16.IMD.SCANNER.KEY.INPUT.XLS provides inputs for the CRA to calculate the distribution key used for distributing the depreciation, maintenance labor and parts & supplies costs for the Intelligent Mail Device (IMD) Scanners, which is component 997.

USPS-FY16-25, Operation Specific Piggyback Factors, relies on USPS-FY16-8 for facility space square feet and rents by category and for equipment-related costs by category.

II. ORGANIZATION

CRA FACILITY RELATED COST FACTORS, VARIABILITIES & DISTRIBUTION	FCILTY16.XLS
CRA PROCESSING AND OTHER EQUIPMENT MAINTENANCE, PARTS AND SUPPLIES COSTS: FACTORS & DISTRIBUTION	FY16equip.XLS
CRA PROCESSING AND OTHER EQUIPMENT CAPITAL COSTS: FACTORS & DISTRIBUTION.....	FY16equip.XLS
CRA INPUTS FOR IMD SCANNER DISTRIBUTION KEY.....	FY16.IMD.SCANNER.KEY.INPUT.XLS

Each of these Microsoft Office Excel workbooks contains an overview of its contents.